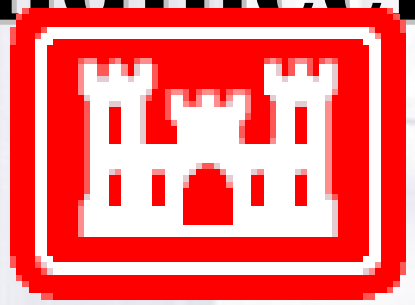
Performance Based Acquisition Training Overview
US Army Corps of Engineers



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Agenda

0800-0810	Purpose and current status of PBSA
0810-0830	Overview of the Logic Model
0830-0915	Application of Logic Model to USACE HTRW Remediation
0915-0930	Questions and Discussion

Objectives of Training Course

- Achieve a common understanding of the definition of PBA/PBSA**
- Learn the difference between a scope of work (SOW) and a performance work statement (PWS)
- Learn the difference between a traditional Quality Assurance Plan and a Quality Assurance Surveillance Plan
- Understand and apply the process of writing an effective PWS and QASP
- Explore how incentives can be used with various types of PBSA contracts

** Formerly PBC

Definition of Performance-Based Service Acquisition

"Performance-based service acquisition" means structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work. [Source: FAR 2.101]

Mandatory PBSA Contract Goals

- Government wide, the goal is 80 % of all service contract ***dollars*** to be performance-based by FY 2008
  - Use of PBSA is not mandated for Construction, Professional Services, and Information Technology
- The Army/USACE FUDS goal is 7.5% of all service contract ***dollars*** to be performance-based by the end of FY 2005, and 50% by FY 2010
- 50% of a contract must be managed as a PBSA in order for a contract to be considered a Performance Based Acquisition
- IDIQ programmed dollars do not count toward ***total*** dollars—only dollars awarded under PBSA task orders count
- **PBSA IS NOT A CHOICE—IT IS A MANDATE!**

Current ACSIM/ AEC Guidance for PBSA Contract Types

- **FIXED PRICE CONTRACTS ONLY**
  - Firm Fixed Price (FFP)
  - Fixed Price with Award Fee (FPAF)
  - Fixed Price with Incentive Fee (FPIF)
  - Fixed Price with Insurance (GFPR-FPRI)

What makes a Service Contract "Performance-Based?"

MINIMUM REQUIREMENTS

- Results oriented scope
- Measurable performance standards
- Quality Assurance Surveillance Plan (QASP)

Difference between the Prescriptive process and the Performance-based process

- The ***prescriptive*** approach is built on a predetermined specific solution and lays out a step by step process to achieve that solution

- The ***performance-based*** approach is built upon a desired outcome and objectives and does not specifically define or limit the best solution or the process.

Why Use Performance-Based Service Acquisitions
(Or, what impact will this have on me?)

- Makes Project Management more successful
  - Strengthen role of government oversight
  - Establish and document expectations of contractors
  - Competition creates innovation and efficiency
- Better utilizes and focuses skills of USACE technical personnel
  - Expertise applied to developing PWS and only performance measures that matter
- Improves content of contracts
  - Improved customer and taxpayer satisfaction
  - Government pays for results
  - Contractor required to perform to standards or re-perform at contractor expense

PBSA Critical Success Factors

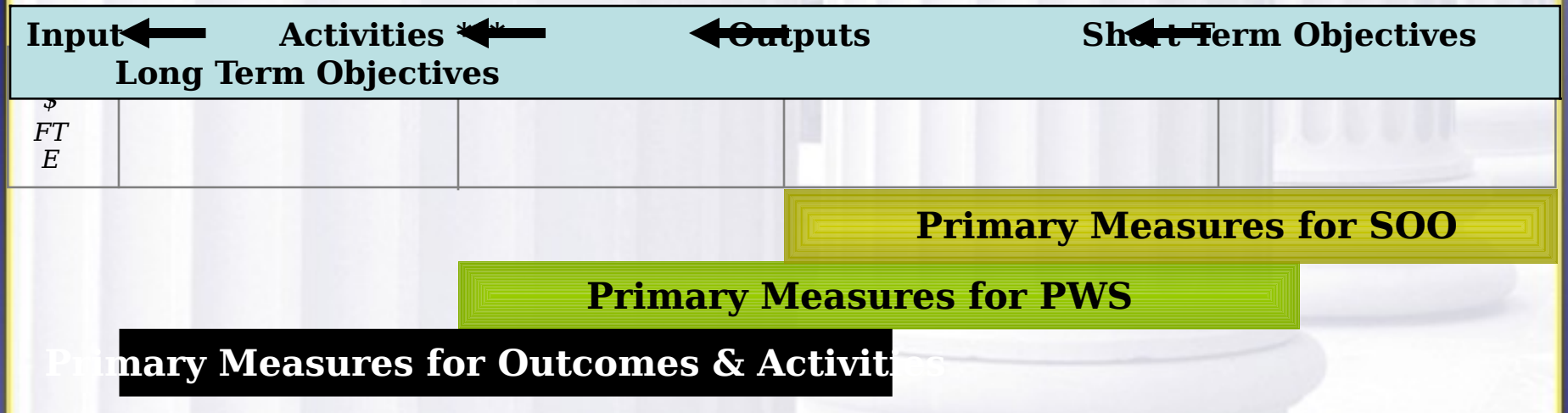
- Allow plenty of time for acquisition planning
- Give technical people more advance notice of projects
- Obtain executive support
- Invest in training for Project Delivery team members
- Develop a cadre of PBSA experts
- Share lessons learned and best practices

What is a Logic Model?

- A logical chain of events providing a blueprint for mission achievement
- A graphic representation that illustrates the rationale behind a program
- Contains goals and performance measures for each phase of a project's life cycle
- Integrates various program activities into a cohesive whole
- Is a vehicle for dialogue, planning, program management and evaluation

Building a Performance-Based Service Acquisition Contract

Seven Steps Using the Logic Model



Step 1: Establish the project delivery team-include the technical experts

Step 2: Identify scope and anticipated long term objectives with performance measures

Step 3: Establish short-term objectives, outputs and related performance measures

Step 4: Examine examples of effective public and private sector solutions

Step 5: Develop a SOO or PWS and QASP

Step 6: Select Contractor

Step 7: Monitor and Manage Performance

*** Included by Contractor in his proposal

Step 1: Selecting the Project Delivery Team Members

It is essential for the team to:

- Work towards a common goal
- Find solutions that fit agency mission and program needs
- Include all agency internal stakeholders

Appropriate Team Makeup is Critical

The Project Delivery Team should include:

- Project Manager
- Office of Counsel
- Contracting (Contract Officer and Contract Specialists)
- Project engineer
- Technical experts
- Client
- Regulators (if possible)

Step 2: Identify Scope and Long Term Objectives

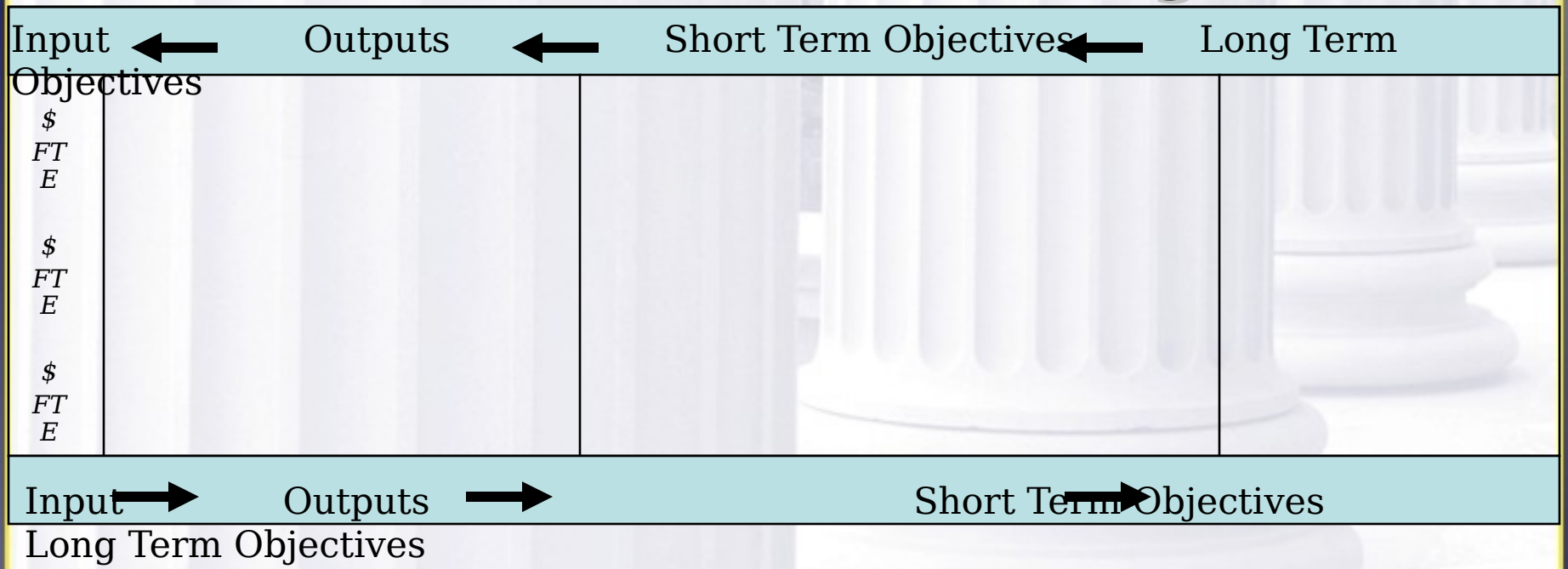
Ask 3 Questions…

1. What do I need?
2. When do I need it?
3. How do I know it's good when I get it?

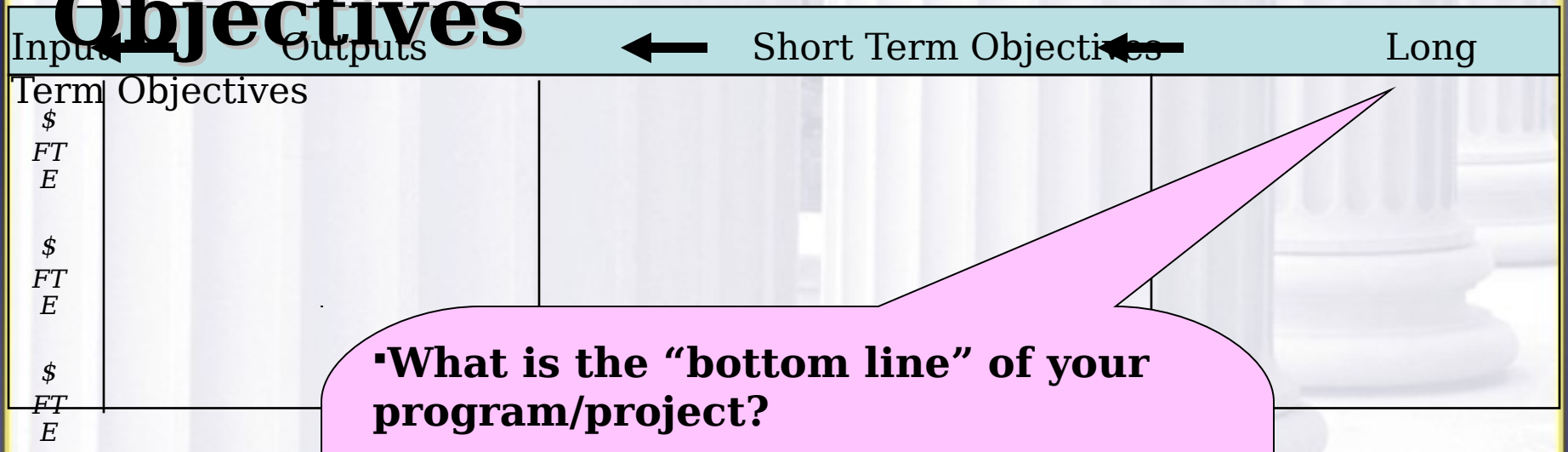
More Questions…

- Align contract to client mission and long term objectives
- Provides the context to all team members on what impact contract will have to the agency/project
- Baseline: What is the current level of performance —i.e. the initial assessment?
- Identify desired level of results
  - Where do I want to go?
- Identify desired level of success
  - How will I know when I get there?
- Context: What specific issues and/or obstacles must be confronted by the contractor?

Government Performance Logic Model



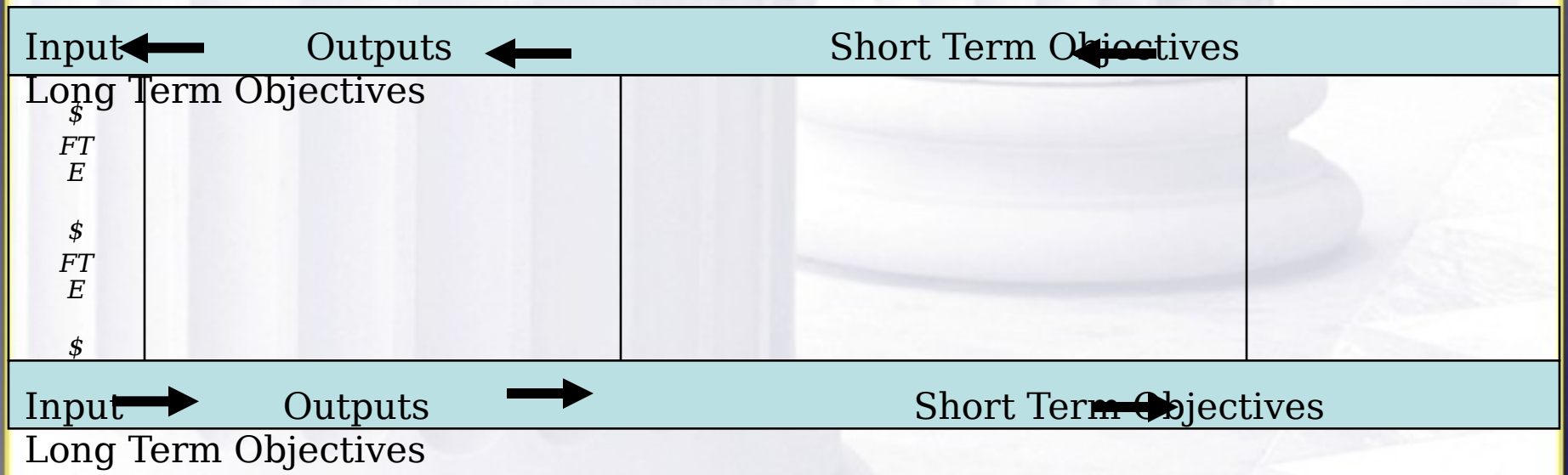
Developing Long Term Objectives



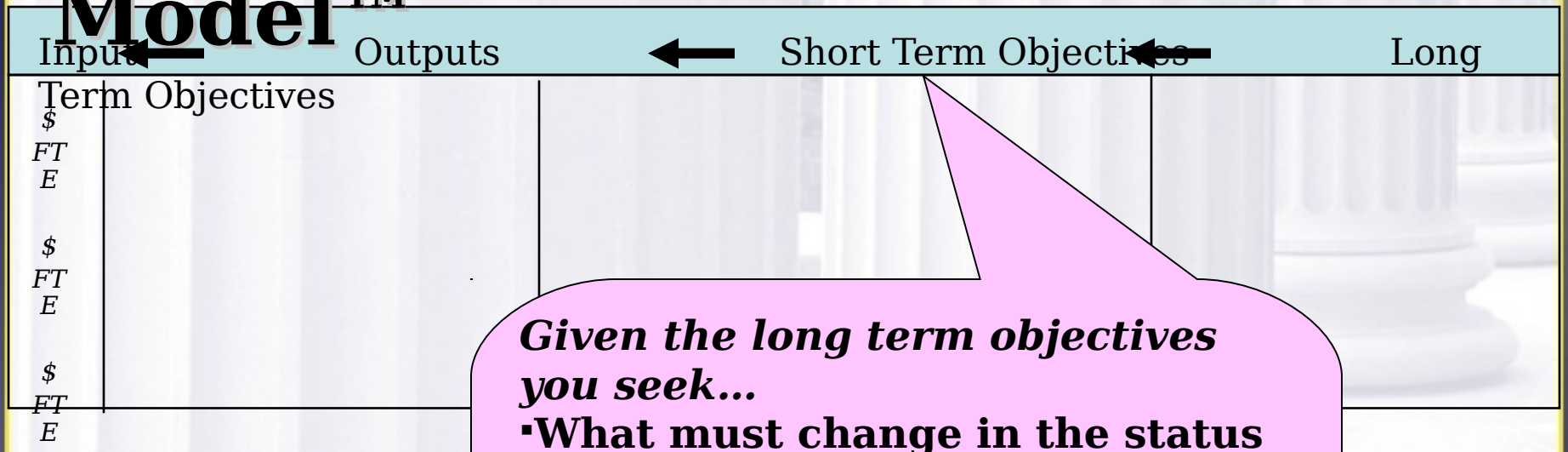
- **What is the "bottom line" of your program/project?**
- **How will you know you have been so successful that you can shut your project down?**
- **If you had to defend your project's value/benefit before a grand jury, what 2-3 pieces of evidence would prove you were a success rather than a failure?**
- **What is the end benefit to the stakeholder from your project?**

Step 3: Developing Short Term Objectives, Outcomes, and Performance Measures

Using the Logic Model to Develop Performance Measurements



Government Performance Logic Model™



Given the long term objectives you seek…

- **What must change in the status quo to create the conditions necessary for goal attainment? Who are the targets of change and what must they do?**
- **What causes the objectives NOT to be achieved?**
- **What must you influence?**

Understanding Short-Term Objectives

- In a PWS, these are the RESULTS of specific contractor outputs
- Learning Point: these are typically NOT action items (i.e. you can't "do" them
- States what CHANGE must occur for long term objectives to be achieved
- Must be accompanied by a performance measure

Significant Technical Challenges in Developing Performance Measures

- Too Many Measures
- Wrong Kinds of Measures
  - Too process and activity oriented
  - No clearly defined “Logic Model”
- Dumbing-down of Measures
  - Measuring only the things you can count
  - Not measuring things that are strategically important

Performance Definitions

- **Measures**
  - **The means to determine performance**
- **Standards**
  - **The desired level of performance**
- **Example:**
  - **Measure = temperature (degrees Fahrenheit or Celsius) – measure of warmth in room**
  - **Standard = 70 degrees – the desired temperature**

Step 4: Examine Private and Public Sector Solutions

- Commercial Options: Identify commercial options available
- Government Options: Streamlined vehicles, and coordinated procurement opportunities
- Market Research Tactics:
  - Public Information: Industry associations, trade groups, corporate profiles, etc.
  - Government Procurement: Vendors of other programs
  - Solicitation: Industry days, requests for information, etc

Step 5: Develop SOO/PWS

- Statement of Objective (SOO)
  - Government defines results to be achieved, and solicits a wide variety of technical solutions from contractors
  - Outputs are not pre-determined by the agency
  - Performance incentives tied to achievement of performance results (impact of outputs) and may include cost, timeliness, quality and impact of outputs associated with contractor's technical solution
  - Provides maximum flexibility to contractor on what work is to be done; provides room for innovation
- Performance Work Statement (PWS)
  - Outputs are clear and agency wants to purchase those specific outputs
  - Performance incentives tied to cost, timeliness, quality and impact of outputs

Performance-Based Service Agreement –Section C of Request for Proposal

Included in RFP as Section C:

- Statement of Objective (SOO)

  OR

- Performance Work Statement (PWS) and
- Sample of Quality Assurance Surveillance Plan (QASP)

Note: Work Plan and Quality Control Plan are to be

submitted with the contractor's proposal

Development of a Statement of Objective (SOO)

- Used for large multi-year IDIQ contracts or a large site-specific contract with multiple activities
- The objective of the SOO ties back to the desired long-term objective
- It establishes the overall performance requirements of the contract

Key components of a SOO

- Scope of work
- Environmental regulations
- Health and safety regulations
- Qualifications of project personnel
- Required Quality Control testing
- Basic requirements for Contractor's Work Plan
- Basic security requirements

NOTE: A QASP is not required at this level—the Contractor will provide a proposed approach to the work and to quality control. The USACE will then develop an example QASP to accompany a work order-specific PWS

Performance Work Statement

- Since the PWS is written in terms of the project general performance requirements and objectives, the contractor's methods of accomplishment are proposed by the contractor in the required Work Plans, which must be accepted before a Notice to Proceed is given.

- Applicable laws, policies and regulations are incorporated into the work methodologies and followed by the contractor in execution.

Development of a PWS

- Created for a specific task order
- Can be single or multiple task project
- Is site specific
- May builds on requirements set forth in the SOO or stand alone
- Performance Standards should be tied to Performance Assessment Rating Categories to permit standardized rating of performance for Project Performance Inforrmation Management System (PPIMS)
- Requires a QASP to be used for monitoring performance

Key components of a PWS

- Project objective
- Project history/background
- Project performance measures
- Deliverables
- Communication protocol
- Project schedule

Remember – an example of a relevant Quality Assurance Surveillance Plan accompanies the PWS as part of the RFP

Quality Assurance Surveillance Plan (QASP)

- The QASP is a Government developed and applied document used to make sure that systematic quality assurance methods are used in the management of the performance-based contract.
- The purpose of the QASP is to assure that the contractor performance in accordance with the requirements set forth in the PWS.

Distinction Between The QASP and The Quality Control Plan (QCP)

- The QASP is developed and put in place to provide Government surveillance of the contractor's Quality Control efforts. A sample of a typical relevant QASP is included along with the PWS in the RFP.
- The QCP is developed and submitted by the contractor as part of his Work Plan for concurrence by the regulators and approval by the USACE District.
- The contractor uses his QCP as a guide to document implementation of their required management and quality control documents to achieve the specified results.

Development of a Quality Assurance Surveillance Plan (QASP)

- Created for a specific PWS after award and is not shared with the Contractor. It is an internal document
- Ties to PWS performance measures
- Provides a performance-based approach to ensure quality performance by the contractor
- Serves as the basis for contractor evaluation

Key components of a QASP

- Statement of purpose
- Roles and responsibilities of participating government officials
- Performance Metrics for contractor's Performance Assessment Record (PAR)
- Methodology for monitoring contractor performance (i.e. Surveillance Activities)
- Quality Assurance check lists
- Corrective Action and Milestone reporting forms

Step 6: Select the Right Contractor

- Develop source selection criteria (traditional)
- Emphasize best-value approach
- Cast wide net for maximum competition
- Emphasize past performance based on YOUR criteria
- Examine conflicts-of-interest
- Examine financial stability (particularly with shift away from fee-for-service)

Step 7: Manage and Monitor Performance Using the QASP

- Management starts with the required output and related payment milestone structure
- Maintain team-based management approach to PBSA after award
- Involve the technical experts continuously in evaluating contractor performance
- Report Contractor's performance regularly and document thoroughly
- Establish mechanisms for validity and verification checks on performance information

Basis for Incentives/Disincentives

- Both are much more effective if they involve money
- Incentives/disincentives must be tied to performance measures , preferably quantifiable rather than qualitative
- Incentives/disincentives cannot be tied to factors outside the contractor's control.
- Thorough documentation is critical to administering a program of incentives/disincentives

Incentives/Disincentives can be used for Fixed Price type contracts

- Firm fixed price can have up front funding for potential bonus—usually milestone based—customer has to agree up front
- Fixed price with incentives—should only be related to schedule
- Fixed price with award fee
  - Figure cost without profit—for satisfactory work
  - Determine base fee (0-3%) and negotiate maximum %
  - Based on performance at quarterly or semi-annually intervals, PDT meets to determine what % of extra percent should be paid.
- On cost reimbursable type contract, cost control can be used as an incentive—still possible with every type of USACE client but AEC

Summary of Keys to Success for a PBSA

- Contract Flexibility
- Willingness to Innovate
- Two-way Communication
- Incentive to Succeed
- Agility
- Mutual Trust

USACE Environmental Remediation PBSA

In the case of Environmental Remediation projects, the long term objective is usually defined as Site Closure, measured by Agency and Regulator acceptance

Example Using Objectives, Measures and Outputs from an Environmental Remediation Project

Remedial Investigation and Feasibility Study

Fort ABC, TX, FABC-23

The objective of this project is to complete a remedial investigation and feasibility study for the FABC-23 Site in accordance with the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as amended by the Superfund Amendments and Reauthorization Act (SARA)

Logic Model
Remedial Investigation and Feasibility Study
Fort ABC, TX, FABC 23

Input	Outputs	Short Term Objectives	Long Term Objectives
$ FTE $ FTE $ FTE	REMEDIAL INVESTIGATION Outputs: 1 . Completed Remedial Investigation Work Tasks 2. Safe work environment 3. Quality Control documentation 4. Remedial Investigation Report Measures: 1. Adherence to Work Plan 2. Safety Record. 3. Quality Control documentation acceptance by USACE and Regulators 4. Letter of acceptance from USACE and Regulators	REMEDIAL INVESTIGATION SHORT TERM OBJECTIVE: Sufficient data obtained to characterize site and define contamination and risk Measure: Usability of the Remedial Investigation report for Feasibility Study	LONG TERM OBJECTIVE: Site Closure Measure: Acceptance by Army and Regulators

Logic Model
Investigation and Feasibility Study
Fort ABC, TX, FABC-23 (continued)

Input ← Activities and Outputs ← Short Term Objectives ← Long Term Objectives

Input	Activities and Outputs	Short Term Objectives	Long Term Objectives
$ FTE $ FTE $ FTE	FEASIBILITY STUDY Outputs 1. Completion of Feasibility Study work tasks 2. Stakeholder Meetings 3. Feasibility Study Measures 1. Adherence to Work Plan 2. Adherence to RA budget Constraints 3. Stakeholder Feedback 4. Letter of acceptance from USACE and Regulators	FEASIBILITY STUDY SHORT TERM OBJECTIVES 1. Definition of appropriate alternative remedial technologies together with their associated containment or disposal 2. Recommended alternative Measure Usability of the Feasibility Study output for proceeding to a Project Plan and Decision Document	OBJECTIVE: Site Closure Measure: Acceptance by Army and Regulators

Input → Outputs → Short Term Objectives → Long Term Objectives

Development of PWS and QASP for USACE Example (Using templates)